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GRUNENFELDER AND GREGG YOUNG

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SUBJECT: AMBASSADOR MEETS WITH NEW ARGENTINE CABINET CHIEF

Classified By: Ambassador E. Anthony Wayne for reasons 1.4 (B) and (D)

11. (C) Summary: On August 26, the Ambassador had a warm and encouraging meeting with new Argentine Cabinet Chief Sergio Massa, 36, who replaced Alberto Fernandez as the senior member of the cabinet. Displaying the vigor and charm for which he is well-known, Massa pointedly said his operating style was non-confrontational. He said President Cristina Fernandez de Kirchner (CFK) makes all the major decisions, but he intends to address some of the larger policy challenges confronting the administration. He stressed his intentions to work on "macro" decisions and not to get bogged down in details. Massa also noted that changes would come gradually; you can only turn an airliner in a big arc, he noted. The Ambassador told how he and Massa's predecessor undertook to meet regularly in order to avoid a repeat of the misunderstandings that led to the December-January breakdown in bilateral relations. The Ambassador stressed the importance of containing the Miami court case in judicial channels. The Ambassador raised Argentina's debt, and Massa said he was working on proposals to address Argentina's debt refinancing needs over the next three years. He also said the President had approved a decree to tighten Argentina's control of precursor chemicals. Massa was open and forthcoming throughout. He said he was looking forward to his meeting with Assistant Secretary Shannon the following day and wanted to work closely with us to keep bilateral relations moving forward. End summary.

12. (C) The Ambassador congratulated Massa on his cabinet appointment and his early efforts to create a more open style of government and to rebuild ties with provincial and other leaders. Massa indicated his desire to bring about additional changes of style and substance but indicated he would need time: "you can't turn an airliner in a sharp turn but in a gradual arc," he explained. Massa recalled that he and the Ambassador had been scheduled to meet on July 24 in Tigre (on the outskirts of Buenos Aires) where he was mayor, but he had been forced to cancel because that was the day CFK took his oath as cabinet chief, 24 hours after announcing his appointment. The Ambassador explained the usefulness of his monthly meetings with the previous cabinet chief in order to head off the kind of misunderstanding that precipitated the December-January crisis in bilateral relations. Massa agreed to meet regularly and later accepted in principle an invitation to a meal at the Ambassador's Residence.

13. (C) The Ambassador noted that jury selection in the Franklin Duran case was scheduled to begin September 2 in

Miami. He said that case should be kept in judicial channels, stressing we could not predict what the trial might reveal, but we should seek to keep it from harming bilateral relations.

¶4. (C) The Ambassador noted that WHA A/S Shannon would meet Massa during his visit to Argentina the following day. The Ambassador noted that Shannon was committed to bolstering U.S.-Argentine relations and that he wanted to cultivate a mature relationship, one that could survive occasional differences without losing all sense of balance. Based on an objective appraisal of the shared interests at stake, it was important to both countries to maintain an even, steady relationship in which we could work through any differences while maintaining cooperation in areas of agreement. Massa said he was looking forward to his meeting with A/S Shannon and wanted to work closely with us to keep bilateral relations moving forward.

¶5. (C) As an example of cooperation, the Ambassador expressed appreciation for the Defense Ministry's continued support of the U.S. Military Group in Buenos Aires and its ongoing work in key areas identified by Minister Garre, such as strategic planning and logistics. The Ambassador also raised the importance of counter-narcotics cooperation and our appreciation of GOA efforts. Massa said the President had signed a decree transferring responsibility over precursor chemicals from SEDRONAR, the government Secretariat of Planning for the Prevention of Drug Addiction and Drug Trafficking, to the National Institute for Industrial Technology (INTI), as Justice Minister Fernandez had previously previewed to the Ambassador. (Note: Local press reports quote Fernandez publicly praising the decision to give control over precursor chemicals to a technical agency, such as INTI, adding that it was important to analyze "every gram that moves through Argentina." He also criticized SEDRONAR for failing to develop the necessary administrative capacity to tackle precursors. At the same time, however, Fernandez reportedly urged legislators in the Chamber of Deputies not to approve a current draft law to criminalize the use of precursors intended for the production of illicit drugs, arguing that the law was too vague to withstand legal challenges. He seeks to introduce an alternative version of the law. End Note.)

¶6. (C) The Ambassador informed Massa that a congressional delegation led by Rep. Collin Peterson, chairman of the House Agriculture Committee, would be visiting Argentina September 3-6 and greatly appreciated that CFK had agreed to meet with them. The Ambassador said the CODEL would visit Cargill facilities in Rosario, where they would likely learn of Cargill's concerns about an investigation by the GOA's National Office of Agricultural Trade Controls (ONCCA) and its Federal Administration of Public Revenues (AFIP). Massa mildly objected to calling it an "investigation," claiming the GOA was merely seeking to determine whether all exporters in that sector had the commodities in their possession at the time they registered their sales as required by a recent law. The Ambassador noted the sector's concern about the implication of a new 45-day requirement for Argentina's participation in futures markets. Massa agreed the 45 days had been a problem. He said "the President makes all the decisions here" and noted that she had signed a decree establishing new 90-workday, 120-workday, and 180-workday registration periods to enable futures trading.

¶7. (C) Massa asked which other U.S. companies had concerns about Argentine operations. The Ambassador named the energy sector, and Massa said the President had committed to gradual reductions in subsidies but, recognizing the need to provide incentives for greater investment, was also looking to lift tariff ceilings and had already begun to do so. Massa stressed that, in a country which until recently had 59% of the population living in poverty, the government's priority had been to redistribute income and cushion the impact of energy prices with subsidies and tariff ceilings.

¶8. (C) The Ambassador pointed out the important presence of

U.S. businesses in Argentina, noting that U.S. investment was widespread across sectors and longstanding. The Ambassador said Argentina's high-tech and services sectors continued to attract U.S. investment, as did the retail sector.

¶9. (C) Massa, scheduled to speak the following day at the Council of Americas conference which the Ambassador and A/S Shannon would also address, asked the Ambassador for his views on what the U.S. companies in the audience wanted to hear from him. The Ambassador said the COA audience was favorably impressed by the high quality of Argentine human capital but wanted to hear more about how the GOA intended to enhance the conditions for medium- and long-term investment, such as regulatory predictability, confidence in credible official statistics (such as the inflation rate), and the government's openness to dialogue with the business community. Massa said the administration had learned from its conflict with the agricultural sector about the need to send reassuring signals to the business community. He cited several recent pro-business measures and to find ways out of the farm dispute, ranging from a government proposal to make the labor code more flexible to drought relief for stricken farmers. He said the GOA planned to distribute one billion pesos in assistance to the agricultural sector as part of the effort to improve relations with that sector. He added that the Kirchner administration believed parts of the agricultural sector, particularly the Liaison Table coordinating the actions of the four major agricultural entities, were unhelpfully taking up a non-agricultural political agenda.

¶10. (C) The Ambassador noted there were persistent concerns about the GOA's ability and willingness to pay its debt. Massa said he was preparing for the President some proposals to address Argentina's debt restructuring or refinancing needs and committed to meeting obligations in 2009-2011 (through the end of CFK's term). In this context, he hoped to address Paris Club and bondholder issues. He acknowledged there was some truth to a page one article in that day's "La Nacion" concerning a proposal for possibly reopening negotiations with certain holdouts within certain parameters, but the proposal was still in preliminary stages. Massa indicated that by focusing on financing needs in 2009-2011, he hoped to win approval for a number of policy changes which would have other beneficial effects on the economy and investment.

¶11. (C) Massa said he intended to work on big-picture, "macro" issues first to create the right conditions to tackle "micro" issues. He thought he could be most helpful to the President if he took care in rank-ordering priorities. There was no point, he said, in arguing where to put the television set when the roof needed to be fixed. He said there was hope of eliminating concerns about the accuracy of inflation measurements by getting the macro-economic situation right and reducing inflation to acceptable levels.

¶12. (C) Comment: Massa was open and forthcoming throughout. His stated desire to tackle "macro" issues may have been a dig at his predecessor, who was known for getting buried by minutiae and also an indication of how he hopes to deal with the problems of inflation statistics and policy and perhaps Internal Commerce Secretary Guillermo Moreno. We look forward to working with Massa to keep relations on an even keel.

WAYNE